Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Connect America Fund	)	WC Docket No. 10-90
	)	
A National Broadband Plan for Our Future	)	GN Docket No. 09-51
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337

Comments of the

Regulatory Commission of Alaska

Date: July 12, 2010

Robert M. Pickett. Chairman

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Comments of the Regulatory Commission of Alaska Regarding FCC 10-58

The Regulatory Commission of Alaska (RCA) appreciates the opportunity to file comments in response to the FCC10-58 *Notice of Inquiry and Notice of Proposed Rulemaking* concerning the initial steps of the National Broadband Plan. (NOI/NPRM)[1]

The Alaska Landscape

The state of Alaska encompasses 570,374 square miles and has a population of 692,314 people.[2] Alaska's land mass is equal to that of California, Montana, and Texas combined, yet our population is smaller than that of Delaware. Incumbent local exchange carriers in the state (except in Anchorage) are all rural telephone companies as defined by 47 U.S.C. 153(37). Throughout the state, there are more than 200 remote rural locations with low populations and most of these locations are accessible only by air, water or snowmachine. A

[1] *Notice of Inquiry and Notice of Proposed Rulemaking,* WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 05-337, FCC 10-58, released April 21, 2010

[2] Population estimates released by Alaska Department of Labor and Workforce Development in January, 2010.

lack of roads, a small population, and extreme arctic weather conditions make providing telecommunications services challenging and expensive. Voice services would not be available throughout Alaska without federal universal service support (USF). Alaskan providers received a total of $183,299,385 in USF high cost support in 2009.[3] With this high cost support, Alaskan providers deliver voice telecommunications services to rural locations throughout the state at rates somewhat comparable to those in urban locations.

The proposals contemplated in the FCC NOI/NPRM seriously jeopardize the provisioning of voice services and will fail to achieve broadband throughout Alaska at the speeds targeted by the National Broadband Plan (NBP). Alaska should not be excluded from the benefits of a national high-speed broadband program. Doing so would be inconsistent with requirements under the Telecommunications Act of 1996 that rural services and rates be reasonably comparable to those in urban areas.[4] We address the specific issues raised in the NOI/NPRM below.

1. The FCC should not adopt a model for purposes of estimating need for voice or broadband support for Alaska rural companies.

The RCA opposes the use of a model to calculate support levels for Alaskan providers.

No national model has ever been developed that predicts accurately the cost of service throughout rural Alaska. Any model must consider the variety of

[3] Federal-State Joint Board 2009 Monitoring Report Table 3.14
[4] 47 U.S.C. 254(b)(3).

factors that affect our cost of service including rugged terrain, extreme arctic weather, the presence of permafrost, the lack of road access, a widely dispersed population, remote and insular locations and reliance on satellite transport.

Modeling Alaska's broadband service is made more difficult by differences in network design compared to other states. In Alaska, there are no LATAs and rural interexchange transport is typically provided through interexchange satellite transport and not through local eligible telecommunications carrier (ETC) networks. As a result, models based on network structures and technologies applicable in the Contiguous United States would be inapplicable to Alaska. Further, few individuals, including those developing cost support models, are likely to have the experience necessary to develop a model that accurately predicts costs of construction in arctic conditions, especially given the variation in those conditions for a state the size of Alaska.

It has not been shown that models are successful at predicting costs of service throughout rural Alaska. Errors or incorrect assumptions, having only minor impact on large companies, may be devastating for small, rural Alaska companies given their limited resources.[5] In addition, small rural Alaska companies often lack the resources and expertise needed to develop proposals and advocate for changes that may be needed so that a nationally based model will reasonably predict their costs.

In summary, we are concerned that any broadband model developed to address conditions in the Contiguous States will fail to consider accurately

[5] Rural Task Force White Paper 4, issued September 2000. See page 23 for list of differences between Non-rural and Rural carriers.

Alaskan costs and network characteristics. The use of actual provider costs to determine support may be a better solution for Alaska.

2. Support for rural Alaska companies should not be based on a model analysis of forward looking least costs of an efficient provider.

The FCC asks whether the model should base CAF support on the forward looking costs of an efficient provider.[6] Such an approach may materially underestimate need for support, especially for small companies serving rural Alaska. We propose instead that support in Alaska be based on the actual costs of providers for the following reasons.

First, small Alaskan rural companies do not have the economies of scale to achieve the economic efficiencies that may be anticipated for an "efficient provider". For example, roughly 80 percent of all exchanges in Alaska are under 500 access lines, with many companies serving exchanges with fewer than 100 lines.[7] Similarly, many of these companies do not have the "buying power" of larger companies necessary to achieve cost efficiencies that may be more common in other areas of the nation. This would be the case even if several rural companies combined their resources.

Next, it should be recognized that small local companies with limited resources must be efficient in their capital investments. It is unrealistic to assume these small companies have the capital resources to replace their long-lived plant each time a new and more efficient technology becomes available.

[6] NOI/NPRM at 23

[7] For example, Bush-Tell, Inc. serves ten rural exchanges with 7 exchanges having fewer than 100 access lines. Of those ten exchanges, four have fewer than 50 access lines.

Network investments for Alaskan providers are further complicated by unusual costs to transport materials and to service remote locations that are inaccessible by road. A forward looking, least cost approach based on the newest technology therefore has the potential to materially underfund necessary operations of small rural companies.

Further, a least cost alternative approach may discriminate against high cost states such as Alaska where, "least cost" may result in lower quality service compared to service in other states. The discrepancy between the NPB initial target of 4Mbps/1Mbps broadband speeds and the ultimate goal of 100 Mbps/50 Mbps speeds allows great leeway in the determination of a quality network.[8] Focusing on minimum funding and alternative approaches for hard to serve areas may result in a broadband deployment in these areas that falls far short of NBP goals.

3. The National Broadband Plan model could not be reasonably applied to Alaska and should not be used as starting point for a CAF model

The FCC asks if the NBP model[9] should be used as a basis for the model to determine CAF funding levels. While we oppose the application of any model to Alaska, the NBP model would be especially detrimental. The NBP model used to calculate the Availability Gap is based on many assumptions that make the model inapplicable to Alaska.

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[8] The NBP at p. 9 lists Goal No. 1 as 100 million U.S. homes with affordable access to actual download speeds of 100 Mbps and upload speeds of 50 Mbps by 2020. The NBP at p.135 lists the initial target speeds as 4Mbps download and 1Mbps upload.

[9] The Model as described in the Broadband Availability Gap OBI technical paper attached to FCC10-58.

The NBP Model relies on roads and other rights of way to route outside plant.[10] Alaska has few roads and most remote locations are accessible only by air or water.

The NBP model identifies counties as the discrete geographic areas for estimating costs of broadband deployment.[11] Alaska has no counties, and its few alternative boroughs encompass thousands of square miles of land area comparable in size to entire states.[12] Over half of the State of Alaska, an area of 323,440 square miles, is not included in any organized borough.

The NBP model fails to consider arctic weather conditions and the presence of permafrost. The model does not consider the short construction season that is created by these extreme conditions.

The NBP model assumes that large service provider's current operating expenses provide a proxy for the operating expenses associated with providing broadband service in currently unserved areas.[13] This is an unreasonable assumption. A small rural local carrier in Alaska serving 200 access lines would never be comparable to large providers elsewhere in the country serving hundreds of thousands of lines. Alaskan providers would not be accurately represented by the proposed proxy.

These are just a few examples of how the NBP model does not accurately apply to Alaska. We do not believe other models can be designed that will be

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[10] NOI/NPRM at 32
[11] NOI/NPRM at 42
[12] Alaska has 18 organized boroughs with much of the land area of the state being unorganized borough. As an example, the Matanuska-Susitna borough covers 24,000 square miles which is equivalent to the size of Maryland. Alaska Local Boundary Commission http://www.commerce.state.ak.us/dca/lbc/lbc.htm
[13] Broadband Availability Gap OBI technical paper No. 1 Chapter 3 at 55

applicable to both the Contiguous states and to Alaska. If a model is ultimately adopted, the RCA requests an exception for Alaska.

4. The FCC proposed model should not apply to Alaska as the modeling excludes satellite transport. Whatever approach is adopted by the FCC should recognize Alaska's significant dependency on middle-mile satellite transport networks.

Many rural communities in Alaska are totally reliant on satellite transport for telecommunications services. The FCC has proposed in the NOI/NPRM to exclude satellite systems from its model of a voice/broadband capable network.[14] A broadband model that does not consider satellite costs cannot be relied on to provide sufficient funding to Alaska, thereby compromising the quality and delivery of voice and broadband services.

To explain further, some communities are interconnected by microwave facilities but many remote communities in Alaska must rely on satellite transport as the only feasible alternative for providing interexchange voice and broadband services. Eventually Alaska may be able to employ cost effective options that reduce dependency on satellite technology, but we cannot assume those options will be commonly available within the next two decades or even this century. Where satellite broadband connectivity exists today, downstream and upstream speeds are significantly less than the NBP initial target speeds of 4 Mbps download and 1 Mbps upload.[15] While satellite may be

[14] NOI/NPRM at 26
[15] NBP at p135

ultimately capable of delivering broadband at speeds proposed by the NBP, it entails significant recurring costs. One Alaskan provider estimates that satellite backhaul expenses alone to provide broadband at NBP target speeds to a community of 50 to 100 people could approach $50,000 to $100,000 per month. Recurring costs preclude long term, sustainable, affordable, broadband Internet service in sparsely populated areas of Alaska absent sufficient support. Sufficient support will not be provided under a model that ignores Alaska's forced dependency on satellite technology.

5. Proposed Interim funding mechanisms are not designed for Alaska and alternative funding measures are needed.

The FCC is evaluating a procurement auction approach that would award a one-time grant of interim funding to providers whose facilities would thereafter be sustainable. The FCC concludes that such an interim funding approach would be unsuitable for areas where operating costs exceed revenues and continuing funding would be required.[16] We agree that such an approach would be unsuitable for high cost areas such as Alaska. Given the high costs to serve small customer bases in remote locations, an alternative support method that allows for payment of recurring costs should be considered for high-cost areas.

The FCC also cites the NBP recommendation that in distributing interim funding, policy makers seek to maximize the number of households that would be served by broadband meeting NBP targets.[17] Given the dispersed nature of

[16] NOI/NPRM at 45
[17] NOI/NPRM at 46

the Alaskan population, the lack of middle mile facilities and the costs to provide broadband speeds of 4 Mbps/1Mbps, this guiding principle may exclude Alaskan carriers from the interim funding.

The reduced likelihood of interim broadband funding introduces a level of uncertainty into the operations of providers that are dependent upon high cost funding to provide basic telecommunications services to rural communities. The lack of specific and predictable interim funding, together with the proposed phase out of CETC funding, and the ultimate plan to reduce high cost support for all voice services suggests that Alaska communications will suffer under the NBP as proposed. An alternative and nondiscriminatory approach should be developed.

6. Continued funding for voice services in Alaska is essential during transition to CAF.

The FCC proposes to impose a cap at 2010 levels on high cost support to incumbent telephone companies and to retain the cap indefinitely until the FCC determines how to distribute funds more efficiently.[18] We are concerned that a cap on support for small rural companies serving high cost areas could lead to degradation of voice services particularly if alternative funding is delayed or insufficient. We urge the FCC to grant Alaska exemption from this cap similar to the past exemption provided to Alaska from the cap on CETC support at 2008 levels.[19]

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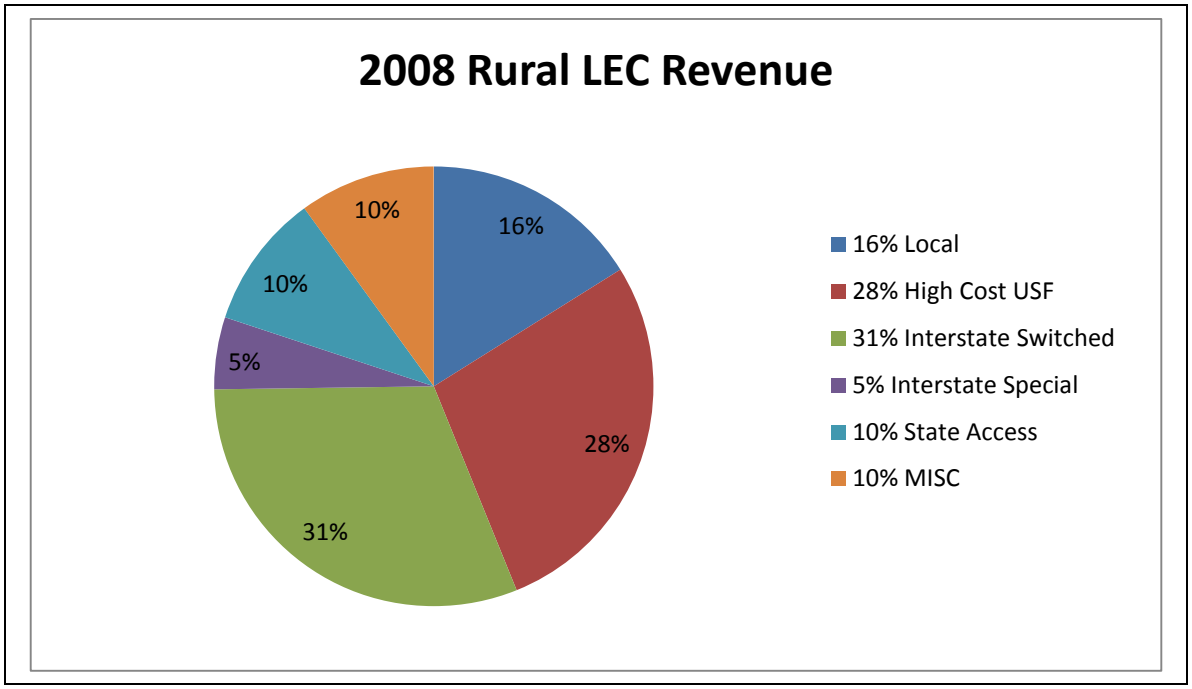
[18] NOI/NPRM at 51

[19] *High-Cost Universal Service Support; Federal-State Joint Board on Universal Service,* Order, WC Docket No. 05-337 and CC Docket No. 96-45, 23 FCC Rcd 8833, 8847 para 32 (2008). (FCC Cap Order)

The NBP proposes to fund at most one broadband provider per geographic area.[20] Thus, an incumbent telephone company that also has COLR obligations may not be the recipient of future broadband support and this uncertainty, along with capping of support levels, could lead to increased rates for voice services and also stifle investment in voice and broadband capable networks.

High cost support comprises a significant portion of revenues for rural incumbent local exchange carriers as shown in the chart below.[21] Capping of support for an indefinite period prior to implementation of alternative funding could lead to degradation of existing service.



[20] NOI/NPRM at 10

[21] Percentages of 2008 revenues for 6 Alaskan LECs: Interior Telephone Company, Inc.; Matanuska Telephone Association, Inc., Bettles Telephone Company, Inc.; OTZ Telephone Cooperative, Inc.; United-KUC, Inc.; and Copper Valley Telephone Cooperative, Inc.

The FCC also proposes to phase out CETC support within 5 years.[22] In the last few years, CETCs have deployed infrastructure to provide wireless voice services to remote areas of Alaska, an expansion that would not have occurred without CETC high cost support. Consumers in remote areas of the state are just now gaining access to wireless services, and others near larger population centers are seeing upgrades to 3G cellular service. Considerable wireless facility deployment and upgrade has been completed and is planned in the next few years. Wireless CETCs plan construction of more than 60 new cell sites throughout Alaska in 2010.[23] Importantly, the USF high cost support has served to leverage private investment in Alaskan telecommunications infrastructure. The FCC proposal to phase out CETC support over a 5 year period could jeopardize this investment in wireless facilities by placing in doubt the CETCs' recovery of their investments.

The RCA recommends the FCC defer any cap or phase out of high cost support for Alaskan providers until a known replacement mechanism is adopted and provision of sufficient levels of support to Alaskan rural communities is demonstrated.

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[22] NOI/NPRM at 60

[23] 2009 ETC Annual Reports for AT&T Mobility, Copper Valley Wireless, Inc., MTA Communications, Inc. and GCI Communications Corp. filed March 31, 2010.

7. The FCC should exempt Alaska from use of support models (if models are employed), the cap on ILEC support, and the phase out of CETC high cost support

In keeping with the principles of the Telecom Act, high cost universal service support has enabled Alaskan carriers to provide consumers with access to telecommunications services in areas where the cost of providing such services would otherwise be prohibitively high.[24] However, Alaskan service providers require continued support to sustain existing voice telecommunications and to complete provisioning of wireless voice services throughout the state. The discussion and examples we have provided above point to the difficulty in developing a replacement broadband support mechanism that will adequately address Alaska's unique issues. Phase out or capping of legacy high cost funding prior to adoption of an interim funding mechanism will be detrimental to Alaskan consumers. We urge the Commission to exempt Alaska from the proposals in the NOI/NPRM until a system better targeted to meet Alaska's unique needs is developed.

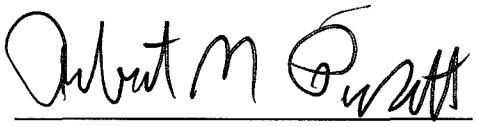
The FCC previously allowed alternative treatment for Alaska with regard to Enhanced Lifeline funding.[25] As noted earlier, the FCC provided Alaska an exception from the 2008 cap on high cost CETC funding. In this latter proceeding, FCC Commissioner Copps noted, "These areas are among the most underserved when it comes to telecommunications - both basic phone service and broadband. The Commission must continue to focus on ways to bring

[24] NOI/NPRM at 3

[25] *Twelfth Report and Order, Memorandum Opinion and Order, and Further Notice of Proposed Rulemaking, CC* Docket No. 96-45, FCC00-208, released June 30, 2000.

affordable services to these areas as their residents are equally deserving of the benefits that technology affords."[26] Two years later, these comments still apply. We urge the Commission to consider exemption for Alaska now to ensure that Alaskan subscribers are not excluded from national broadband deployment and do not experience degradation of basic telecommunications services.

RESPECTFULLY SUBMITTED this 12th day of July, 2010.



Regulatory Commission of Alaska
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[26] FCC Cap Order *Dissenting Statement of Commissioner Michael J. Copps*